

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 16-11895-jlg

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6 In the Matter of:

7  
8 CHINA FISHERY GROUP LIMITED (Cayman),

9  
10 Debtor.

11  
12 - - - - - x

13  
14 United States Bankruptcy Court

15 One Bowling Green

16 New York, New York

17  
18 July 11, 2016

19 10:20 a.m.

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22  
23 B E F O R E :

24 HON JAMES L. GARRITY

25 U.S. BANKRUPTCY JUDGE

1 Joint Admin Motion

2

3 Application to Extend Time to File Schedules

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5 Motion to Impose Automatic Stay

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7 Case management motion

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25 Transcribed by: Sherri L. Breach, CERT\*D-397

1 A P P E A R A N C E S :

2 MEYER, SUOZZI, ENGLISH & KLEIN, P.C.

3 Attorneys for Debtors

4 990 Stewart Avenue

5 Garden City, New York 11530

6

7 BY: HOWARD B. KLEINBERG, ESQ.

8 EDWARD J. LOBELLO, ESQ.

9

10 BRYAN CAVE, LLP

11 Attorneys for TMF Trustee

12 1290 Avenue of the Americas

13 New York, New York 10104

14

15 BY: STEPHANIE WICKOUSKI, ESQ.

16

17 SIDLEY AUSTIN, LLP

18 Attorneys for Bank of America

19 787 Seventh Avenue

20 New York, New York 10019

21

22 BY: ANDREW P. PROPPS, ESQ.

23 LEE S. ATTANASIO, ESQ.

24

25

1 LUSKIN, STERN & EISLER, LLP

2 Attorneys for Rabo Bank

3 Eleven Times Square

4 New York, New York 10036

5

6 BY: MIHCAEL LUSKIN, ESQ.

7

8 DLA PIPER, LLP (US)

9 Attorneys for Rabo Bank, Standard Charter & DBS Bank

10 1201 North Market Street

11 Suite 2100

12 Wilmington, Delaware 19801

13

14 BY: R. CRAIG MARTIN, ESQ.

15 JOHN LYONS, ESQ.

16

17 KIRKLAND & ELLIS, LLP

18 Attorneys for Ad Hoc Committee

19 300 North LaSalle

20 Chicago, Illinois 60654

21

22 BY: PATRICK J. NASH, JR., ESQ.

23

24

25

1       MAYER BROWN

2               Attorneys for Maybank

3               1221 Avenue of the Americas

4               New York, New York 10020

5  
6       BY:    FREDERICK D. HYMAN, ESQ.

7  
8       OFFICE OF THE UNITED STATES TRUSTEE

9               Attorneys for U.S. Trustee

10              U.S. Federal Office Building

11              201 East Varick Street, Suite 1006

12              New York, New York 10014

13  
14       BY:    BRIAN MASUMOTO, ESQ.

15  
16       ALSO APPEARING:

17       GUSTAVO MIRO QUESADA, ESQ.

1 P R O C E E D I N G S

2 THE COURT: All right. China Fishery Group  
3 Limited. Could I get appearances, please?

4 MR. KLEINBERG: Good morning, Your Honor. Howard  
5 Kleinberg, Meyer Suozzi, proposed counsel for the debtor.  
6 My partner, Edward LoBello as well.

7 MR. LOBELLO: Good morning, Your Honor.

8 THE COURT: Good morning.

9 MR. MASUMOTO: Good morning, Your Honor. Brian  
10 Masumoto for the Office of the United States Trustee.

11 THE COURT: Mr. Masumoto.

12 MR. MARTIN: Good morning, Your Honor. Craig  
13 Martin, with my partner, John Lyons, from DLA Piper, LLP  
14 appearing on certain of the club group lender parties, by  
15 shorthand Rabo Bank, Standard Charter and DBS Bank in Hong  
16 Kong.

17 THE COURT: All right. Mr. Martin.

18 MR. HYMAN: Good morning, Your Honor. Rick Hyman  
19 from Mayer Brown on behalf of Malayan Banking Berhad known  
20 short -- in short form as --

21 THE COURT: Maybank.

22 MR. HYMAN: -- Maybank. Yes.

23 THE COURT: Thank you.

24 MR. NASH: Good morning, Your Honor. Pat Nash  
25 from Kirkland & Ellis on behalf on an ad hoc group of

1 holders of the nine-and-three-quarter percent senior notes.

2 THE COURT: Mr. Nash.

3 MS. ATTANASIO: Good morning, Judge. Lee  
4 Attanasio, Sidley Austin, here with my colleague, Andrew  
5 Props, on behalf of Bank of America.

6 THE COURT: Thank you.

7 MR. LUSKIN: Your Honor, Michael Luskin, Luskin,  
8 Stern & Eisler for Rabo Bank.

9 THE COURT: Mr. Luskin.

10 Anyone else?

11 MR. KLEINBERG: All right. Why don't we get  
12 started?

13 MR. KLEINBERG: Thank you, Your Honor.

14 If I may begin with brief introductions, not in  
15 the nature of appearances, from some of the debtors'  
16 personnel. As I mentioned my partner, Ed LoBello, Ni -- Yi  
17 -- Qua Yi Nang (ph), commonly referred to as Jessie in the  
18 audience, Your Honor.

19 THE COURT: Good morning.

20 MR. KLEINBERG: She is the senior officer of all  
21 of the 16 debtors.

22 THE COURT: All right.

23 MR. KLEINBERG: As I said referred to commonly as  
24 Jessie. David Prager (ph) and Robin Chu (ph) from Gold &  
25 Associates are here. They are the debtors proposed

1 financial advisors. Robert Rosenfeld is here from RSR  
2 Consulting. He is the debtors' proposed accounting  
3 professional.

4 THE COURT: All right.

5 MR. KLEINBERG: If I may begin, Your Honor, I  
6 would like to give the Court a brief overview of the debtors  
7 and the debtors in relationship to the non-debtor entities.  
8 We provided Your Honor with a color corporate organization  
9 chart. We have extras available. It's being projected on  
10 the screen.

11 THE COURT: Terrific.

12 MR. KLEINBERG: I still prefer to work off the  
13 easel that's the foam board version if that's acceptable to  
14 Your Honor --

15 THE COURT: Sure. That's fine.

16 MR. KLEINBERG: -- but I'll --

17 THE COURT: Let me just ask you before we get  
18 started have you had an opportunity to speak to -- speak  
19 with counsel to all of the parties that have weighed in on  
20 these motions?

21 MR. KLEINBERG: Only briefly this morning, Your  
22 Honor, to the effect of two things.

23 One is for what it's worth to them I offered them  
24 my assurances or my offer that I think they'll feel better  
25 about the case after today's presentation.



1           And perhaps more importantly I offered them the  
2           opportunity to meet with the debtor, its counsel, its  
3           proposed financial professionals on Thursday in the  
4           afternoon --

5           THE COURT: All right.

6           MR. KLEINBERG: -- at Mr. Prager's office so that  
7           some of their concerns and their issues can be laid out on  
8           the table and addressed. In my view this case should and  
9           can be done on a consensual basis and it's our hope to  
10          achieve that, and I've offered that out to the banks.

11          THE COURT: All right.

12          MR. KLEINBERG: And I believe I had a few  
13          headshakes and we'll see what develops from there.

14          THE COURT: All right. Why don't you proceed?

15          MR. KLEINBERG: So with respect to the debtors we  
16          have 16 debtors before the Court. Six of the debtors are  
17          holding companies and six of them have dormant or not  
18          substantial operations. And I can through them by name, but  
19          I'm not sure if it serves any real purpose.

20          One of the debtors is a fishing company service  
21          provider. That's South Pacific Shipping Agency down in the  
22          lower left of the chart.

23          THE COURT: All right.

24          MR. KLEINBERG: One of the debtors is -- was -- is  
25          winding down or has fully wound down its trading operations.

1 That's Protein Trading Limited over here.

2 One of the debtors is a small real estate holding  
3 company, that's CFGL Singapore Private Limited. And I  
4 apologize for the similarity of names. It's been a  
5 challenge for me to get familiar with them.

6 THE COURT: Let me just interrupt you --

7 MR. KLEINBERG: Yeah.

8 THE COURT: -- for a second. I've spent a lot of  
9 time looking at the papers and I'm not going to cut you off.  
10 I want you --

11 MR. KLEINBERG: Yeah.

12 THE COURT: -- to make your presentation. But I  
13 just want to make sure I'm clear on a couple of things.

14 First off, Pacific Andes Group, that's a defined  
15 term. Is that all of the boxes in the chart?

16 MR. KLEINBERG: Exactly.

17 THE COURT: Okay.

18 MR. KLEINBERG: Pacific Andes Group --

19 THE COURT: Right.

20 MR. KLEINBERG: -- is all of these companies --

21 THE COURT: Yeah.

22 MR. KLEINBERG: -- and more that are not on the  
23 chart --

24 THE COURT: Right.

25 MR. KLEINBERG: -- because the chart focuses on

1 their debt relationships.

2 THE COURT: Right. But for our purposes in that  
3 -- in the affidavit that's what that refers to. What I  
4 couldn't find is you used the term, CFG Group. You used CFG  
5 Group debtors. That's defined. I didn't see how CF -- what  
6 is CF Group?

7 MR. KLEINBERG: CF Group is a subset of the  
8 Pacific Andes Group --

9 THE COURT: Right.

10 MR. KLEINBERG: -- known primarily for its  
11 operations and work in Peru.

12 THE COURT: So is that -- on the bottom, is that  
13 the right side, the bottom --

14 MR. KLEINBERG: Generally speaking, Your Honor, it  
15 starts in the middle --

16 THE COURT: Oh, right. Okay.

17 MR. KLEINBERG: -- roughly with Super Investments.

18 THE COURT: Right.

19 MR. KLEINBERG: And it goes down to the right --

20 THE COURT: Okay.

21 MR. KLEINBERG: -- which is Peru --

22 THE COURT: Yeah.

23 MR. KLEINBERG: -- which is mostly either a non-  
24 debtor, Chapter 15 debtors. We have one 11 debtor over  
25 here.

1 THE COURT: Right. That's Protein you were  
2 talking about.

3 MR. KLEINBERG: Protein, but also CFG Peru  
4 Investments Limited Singapore at the top of the right-hand  
5 --

6 THE COURT: Right. Okay.

7 MR. KLEINBERG: -- section. And it's also the  
8 left-hand section which for the most part is the bulk of the  
9 dormant companies, but for South Pacific Shipping Agency.

10 THE COURT: So for my purposes in looking at this  
11 when I see a reference to CF Group, I should just be looking  
12 -- starting at Super Investment Limited and down -- and  
13 below that, that CF Group.

14 MR. KLEINBERG: That's correct. To --

15 THE COURT: Okay.

16 MR. KLEINBERG: -- the left and to the right.

17 THE COURT: Right.

18 MR. KLEINBERG: -- below that.

19 THE COURT: Okay.

20 MR. KLEINBERG: And pardon me if I've not matched  
21 to the hundred percent precision the definitions in the  
22 affidavits, but that's generally -- I think I have, but  
23 that's generally where we are.

24 THE COURT: Okay. And that's fine. So I'm sorry.  
25 I apologize.

1 MR. KLEINBERG: No. That's fine. That was next  
2 on my agenda --

3 THE COURT: All right.

4 MR. KLEINBERG: -- is to introduce the companies  
5 on this chart as the companies constituting what's called  
6 the Pacific Andes Group of which we have 16 Chapter 11  
7 debtors, the possibility of two additional Chapter 11  
8 debtors over here for Premium Choice and Ringston (ph)

9 THE COURT: Okay.

10 MR. KLEINBERG: -- pending determination or  
11 resolution of issues concerning those companies' proper  
12 authorizations to file 11. But they're not substantial  
13 companies and they're in here for the debt.

14 I mentioned Protein Trading. I mentioned the real  
15 estate holding company. I wanted to mention CFIL China  
16 Fisheries International Limited, first up on the left --

17 THE COURT: Right.

18 MR. KLEINBERG: -- which is a treasury management  
19 company for the CF Group. And I wanted to mention that --

20 THE COURT: And that's where -- I'm sorry to  
21 interrupt you. That's where -- that and China Fishery Group  
22 and International, that's where the JPLs were pointed?

23 MR. KLEINBERG: That's correct.

24 THE COURT: All right. Just for those -- it was  
25 just for those two; is that right?

1 MR. KLEINBERG: That's correct.

2 THE COURT: Okay.

3 MR. KLEINBERG: That's correct.

4 THE COURT: All right.

5 MR. KLEINBERG: And also that CFGL, China Fishery  
6 Group Limited --

7 THE COURT: Right.

8 MR. KLEINBERG: -- here in the middle as well as  
9 PAIH Bermuda, second from the top are public companies  
10 listed in Hong Kong and Singapore stock exchanges  
11 respectively, trading suspended.

12 THE COURT: Wait. I'm sorry. Is PARD publicly  
13 traded?

14 MR. KLEINBERG: Yeah.

15 THE COURT: Oh, okay.

16 MR. KLEINBERG: Judge, you're one sentence ahead  
17 of me here --

18 THE COURT: All right.

19 MR. KLEINBERG: -- at all times. PARD which is a  
20 non-debtor before this Court, either in 11 or 15, and --

21 THE COURT: I'm sorry. You said PARD?

22 MR. KLEINBERG: PARD which is what you just  
23 referred to.

24 THE COURT: Right. You show that as a Chapter 15  
25 case.

1 MR. KLEINBERG: Yeah. It's a mistake on the  
2 chart, Judge.

3 THE COURT: Oh.

4 MR. KLEINBERG: I apologize. I thought we had  
5 provided Your Honor with revised charts. I have them if you  
6 would like to substitute.

7 (Pause)

8 MR. KLEINBERG: May I approach?

9 THE COURT: Yes, please.

10 MR. KLEINBERG: We have extras for  
11 (indiscernible).

12 THE COURT: Thank you.

13 MR. KLEINBERG: The Pacific Andes Resources  
14 Development, commonly referred to as PARD, is not a Chapter  
15 15 debtor, but it is in its own insolvency proceeding in  
16 Singapore.

17 THE COURT: And so, again, China Fishery Group  
18 Limited and PA -- what is that, PAIH, are traded on the Hong  
19 Kong exchange?

20 MR. KLEINBERG: Correct. One is on one exchange  
21 and one is on the other. I can --

22 THE COURT: Of the Singapore.

23 MR. KLEINBERG: -- clarify that if I flip through  
24 my notes.

25 THE COURT: No. That's all right. You can pick

1 it up later.

2 MR. KLEINBERG: PAIH, China Fishery Group Limited,  
3 two of our Chapter 11 debtors, are public companies on  
4 Asian stock exchanges. PARD, as I mentioned, which is in an  
5 insolvency proceeding in Singapore is also a publicly traded  
6 company in one of the Asian exchanges.

7 So we have 16 debtors. Six -- as I said, six are  
8 dormant. Six function primarily as holding companies for the  
9 companies below them. They are NS Hong, which starts at the  
10 top of the chart, PAIH that we discussed, Super Investments,  
11 which we've mentioned, CFGL which we've mentioned, the  
12 public company, Smart Group is a holding company, and over  
13 here on the right one notch below CFG Peru Investments PTU  
14 Limited is a holding company for the Peruvian operating  
15 companies.

16 So, Your Honor, why are we here? It's a  
17 legitimate question. The creditors have asked it. I think  
18 the answer lies in the structural relationship between these  
19 debtors on this chart. The word that I became more familiar  
20 with as I undertook this engagement is structural  
21 subordination. You have certain creditors -- because of the  
22 highly verticalized corporate structure that we have been  
23 dealt here we have different creditor interests at different  
24 levels of the organization structure, but you'll see all of  
25 our Chapter 11 debtors, substantially all of them, are



1 obligors on substantial debts, primarily the club lenders  
2 and also to the senior note holders.

3 The theory of the filing is that to preserve  
4 values and I think we all understand, subject to some nuance  
5 here, but the value of these -- this enterprise lies  
6 primarily down here with the Peruvian operating companies,  
7 which run a substantial business processing anchovies into  
8 fish meal and fish oil which is sold on the commercial  
9 markets.

10 Fish meal is used, as I understand it, in  
11 aquaculture. It's used as fish food for other fish,  
12 primarily of penned in salmon farming operations. Fish oil  
13 is sold for commercial uses elsewhere in the market.

14 So the value speaking generally is here. But to  
15 preserve the corporate structure and to be fair to  
16 creditors, every level of the corporate chart, not just the  
17 club lenders and not just the senior note holders, we felt  
18 that they're important, certainly, and they're big. We felt  
19 that filing based on these particularities of the Chapter 11  
20 companies was necessary because if enforcement action were  
21 to be taken in one or more jurisdiction, most likely outside  
22 of the United States, against an upper level company, that  
23 creditor could conceivably attain control of the entity,  
24 control of the board of directors of the downstream entities  
25 and have completely control over the disposition of the

1 valued parts of the company.

2 So we felt it was necessary to bring these  
3 entities into lls in order to preserve the value of the  
4 structure for everyone.

5 It's really stated very precisely in paragraph 19  
6 of our Rule 1007 declaration that Jessie submitted, which I  
7 quote from very, very briefly it says -- or paraphrase, at  
8 the risk of one creditor destabilizing the corporate  
9 structure through enforcement action is what these cases is  
10 about. It prevents lenders from acting to satisfy  
11 themselves only to the detriment of those who are  
12 structurally subordinated to them.

13 THE COURT: These are the same lenders who entered  
14 into the understanding; is that what it --

15 MR. KLEINBERG: No. No.

16 THE COURT: Okay.

17 MR. KLEINBERG: The lenders who entered into the  
18 deed of understanding are primarily -- exclusively the club  
19 members.

20 THE COURT: Well, they're the club --

21 MR. KLEINBERG: Yeah.

22 THE COURT: Yeah. But it's being -- that -- am I  
23 correct that that process was being supported by the other  
24 creditors?

25 MR. KLEINBERG: No. It was --

1 THE COURT: Oh, maybe not.

2 MR. KLEINBERG: -- not.

3 THE COURT: Okay.

4 MR. KLEINBERG: Yeah. In fact, the club lenders  
5 themselves sit here today supported -- not supported by one  
6 of their very own members, HSBC. HSBC was the most  
7 aggressive club lender prior to the petition date in the  
8 Hong Kong Court and in the Cayman Islands Court. HSBC  
9 received, if I can characterize it, a fairly stinging rebuke  
10 from the Hong Kong Court for its actions in bringing the  
11 liquidation proceedings and seeking the appointment of the  
12 provisional liquidators.

13 There is a written decision by that Hong Kong  
14 Court that fairly aggressively attacks the role of HSBC in  
15 those proceedings. That's confidential to that Court and  
16 we're going to effort in Hong Kong to have that  
17 confidentiality restriction lifted, if possible, so we can  
18 present Your Honor with a copy of that.

19 THE COURT: But that was -- as part of the  
20 understanding is it if the sale didn't get done by July 15th  
21 those proceedings would be reinstated?

22 MR. KLEINBERG: It was a remedy for the bank  
23 lenders. Correct.

24 THE COURT: Right. Okay.

25 MR. KLEINBERG: And I'll talk about that in a

1 moment or as Your Honor likes.

2 But to go back to the general reasons for filing.  
3 So you have the structural -- you have the corporate  
4 structure situation, which is not good for a business to be  
5 in this position, but it is what it is. You have structural  
6 subordination. You have business reasons for filing.  
7 They're addressed extensively in the Rule 1007, if I may  
8 just take a moment to mention some of them.

9 The effect of the weather phenomenon known as El  
10 Nino has played a very dramatic and detrimental impact on  
11 the fishing business of the Peruvian subsidiaries, obviously  
12 resulting in diminished cash flow compared to historically,  
13 suspension of the second season of fishing beginning in  
14 2014. The fishing is divided up into two seasons.

15 Your Honor should understand the fishing is  
16 fairly, if not extremely heavily regulated by the Peruvian  
17 governmental authorities. It's controlled by season. It's  
18 controlled by quota. In fact, the valuable asset -- anybody  
19 can put a boat together and hire a crew and fish with, you  
20 know, sufficient capital allocated to that. The value of  
21 the Peruvian companies is in their quotas. They hold quotas  
22 that are not non-reproducible in the market. There's -- you  
23 know, you can only go up to 100 percent on an allocation and  
24 we hold roughly 16, 17 percent of -- pardon?

25 UNIDENTIFIED SPEAKER: 16.9.

1 MR. KLEINBERG: -- 16.9 percent of the Peruvian  
2 anchovy fish quota in Peru.

3 So El Nino has hurt the ability to profit --  
4 profitability harvest fish and process into, as I said, fish  
5 meal and fish oil for sale.

6 I mean, I could, but I won't belabor what we  
7 consider to be the egregious conduct of the four individual  
8 gentlemen who were partners of KPMG who were appointed as  
9 JPLs by the Hong Kong and Cayman courts who, in our  
10 allegations and in our opinion, went ballistic, went far  
11 beyond the scope of their mandate, caused material,  
12 substantial material damages to -- damage to the operations  
13 of the public company debtors by reputation, the Peruvian  
14 company debtors by action including literally going down to  
15 Peru and meeting with local vendors and banks, all of which  
16 scared them into the hills and caused us to suffer a very  
17 severe liquidity shortage that continues to this day where  
18 we are struggling, Peru is struggling to get working capital  
19 to fund its fishing seasons, certainly in part because of El  
20 Nino, but more so because when fishing season starts there  
21 is reputational damage and credit industry fear because of  
22 the appointment of the JPLs who, as Your Honor knows, were  
23 tossed back out once a full hearing was held before the Hong  
24 Kong Court.

25 It was nice of the -- nice enough of them also not

1 to leave once they were tossed out by the court until they  
2 exerted a lot of leverage over the debt -- over the  
3 companies to get their fees, which received millions of  
4 dollars in Hong Kong dollars to get their fees paid. So  
5 that's a factor.

6 THE COURT: You also lost a boat, right, the use  
7 of the largest vessel, isn't --

8 MR. KLEINBERG: Yes.

9 THE COURT: -- that right or --

10 MR. KLEINBERG: Yes.

11 THE COURT: -- kind of in the penalty box now?

12 MR. KLEINBERG: Yes. That -- I don't think that  
13 directly affected the anchovy processing business.

14 UNIDENTIFIED SPEAKER: Correct.

15 MR. KLEINBERG: It was used for (indiscernible)  
16 fish?

17 UNIDENTIFIED SPEAKER: Yes.

18 MR. KLEINBERG: So that --

19 THE COURT: For what?

20 MR. KLEINBERG: -- vessel commonly referred to as  
21 the DMZ, was owned by this company here, Sustainable Fishing  
22 Resources SAC.

23 THE COURT: Okay.

24 MR. KLEINBERG: It's --

25 THE COURT: But that wasn't one of the events that

1 precipitated the filing?

2 MR. KLEINBERG: No.

3 THE COURT: Okay. Thank you.

4 (Pause)

5 MR. KLEINBERG: Your Honor, I have a detailed and  
6 perhaps lengthy presentation regarding the particular  
7 business that each of these companies engages in. I'll be  
8 guided by the Court as to whether you have questions about  
9 particular entities, whether you want me to go through them  
10 quickly or generally or not at all.

11 THE COURT: I've got a lot of questions. They  
12 don't really focus so much on what all the companies do. If  
13 you want to just give an overview and go over that, that's  
14 fine. I mean, do what you need to do in order to make the  
15 evidentiary record that you need for the matters that are  
16 before us. But then I've got questions about Peruvian  
17 insolvency law and some other --

18 MR. KLEINBERG: Very --

19 THE COURT: -- things.

20 MR. KLEINBERG: Very good, Judge.

21 THE COURT: So -- but -- so why don't we do this?  
22 Why don't you go through your presentation and just  
23 understand that a lot of my questions are keyed off of the  
24 points that were raised in the opposition papers.

25 MR. KLEINBERG: Understood.

1 THE COURT: Right. And so if you want to, after  
2 you've done that -- you know, again, I don't mean to -- I  
3 don't want to interfere with your presentation. I'm not  
4 sure that today is a day where we need an in depth  
5 discussion of the businesses, but please do what you think  
6 you need to do.

7 MR. KLEINBERG: I'll just do it very, very  
8 briefly. I've already talked about Peruvian fishing and the  
9 anchovy business down here. I've mentioned the holding  
10 companies. I've mentioned the few companies over here that  
11 while still in business have very limited operations. SPSA  
12 South Pacific, as I said, is a company that supplies  
13 equipment for other fishing boats, nets, mystical support  
14 and that sort of thing.

15 What's interesting, Judge, that you should know is  
16 over here where I'm referring to, looking at the chart from  
17 my perspective to the right of PAIH, PAIH and a similarly  
18 named, but different entity called Pacific Andes  
19 International Holdings BVI Limited right next to it are  
20 engaged in a very large business of processing and producing  
21 and selling at retail in China fish for eating, fish for  
22 human consumption, primarily Alaskan pollock.

23 So they trade in that. They process it, literally  
24 gutting and heading and filleting fish, (indiscernible) them  
25 into blocks and then through various sales mechanisms, again



1 working through governmental quotas with China which  
2 explains some of the existence of some of these other  
3 entities. The Euro Pacos that we see down here over to the  
4 right are quota for import -- no, no, no. They're on a  
5 credit insurance specific sales agencies for this fish  
6 fillets.

7 Okay. National Fish and its grouping over here is  
8 a Massachusetts based company that does the same frozen fish  
9 fillet business --

10 THE COURT: All right. So this -- so I was going  
11 to ask you, which of these entities has U.S. operations?

12 MR. KLEINBERG: National Fish and Seafood, and the  
13 two companies grouped around it which is its holding  
14 company, Peaksville (ph), and its subsidiary have U.S.  
15 operations, fairly independent, completely independent.  
16 They sell a particular brand of frozen fish sticks and  
17 fillets in markets in the U.S. and Canada.

18 THE COURT: All right. And where are those  
19 operations?

20 MR. KLEINBERG: In Gloucester, Massachusetts.

21 THE COURT: All right. Thank you.

22 MR. KLEINBERG: Again, just (indiscernible) the  
23 Pick and Pack group of companies are buyers, they're purple  
24 shaded below National Fish, were also processors and  
25 distributors of fish fillet products in Europe. Those

1 companies are the subject of their own insolvency  
2 proceedings in Germany and as to Gilmer (ph) in France.  
3 PAIH is the guarantor of certain of that debt and those  
4 debts will be addressed in the Chapter 11. The  
5 (indiscernible) sales company as I mentioned, and I think  
6 that's it.

7 THE COURT: All right.

8 MR. KLEINBERG: So, Your Honor, I've certainly  
9 read the bank -- the four banks who made statements. I  
10 would like to address that now if I may for a minute.

11 THE COURT: Sure.

12 MR. KLEINBERG: Again, at the level of argument, I  
13 think what I want to say to Your Honor and to the banks is a  
14 couple of things.

15 We're advocates for the debtor. We recognize  
16 that. But we're also officers of the court, Counsel, I  
17 mean, the profess -- and the financial and accounting  
18 professionals that we've hired. We recognize our duties to  
19 the court and to creditors. We intend to take those very  
20 seriously. We would not have taken this case on in a way  
21 other than taking those duties very seriously.

22 So what I really want to say to the banks and to  
23 Your Honor is everything the banks are fearful of, that  
24 they've expressed anxiety about in their papers, that  
25 they've expressed hostility about in their papers, the

1 purpose of these bankruptcy, in our view, is the opposite of  
2 that. We intend to provide them with the things that I  
3 think they're worried about. I'm not guaranteeing  
4 recoveries to them. I'm not guaranteeing that they won't be  
5 unhappy, that there won't be difficult negotiations.

6 But one of the banks, Bank of America, was nice  
7 enough to accuse of us disregarding the bankruptcy process.  
8 And I really resent that, Judge. I think that's not true.  
9 Yes, our filings are a little perhaps hastily put together  
10 due to the pressures and we felt there was enforcement  
11 pressure happening in Europe, in Hong Kong as we approached  
12 June 30th.

13 But I think that in terms of -- well, not only are  
14 we not going to disregard the bankruptcy process, we're  
15 going to play it to the letter of the law. So with respect  
16 to things like transparency, and access to information, and  
17 proper corporate governance -- and I'm not suggesting that  
18 there was improper corporate governance beforehand. But  
19 certainly as counsel it's our intent to enforce or advise  
20 and enforce as possible strict compliance with corporate  
21 governance duties.

22 THE COURT: Who is running the business?

23 MR. KLEINBERG: Jessie is the senior executive of  
24 all the companies. She has a various staff at various  
25 levels, management officials who run the companies. Mr.

1 Rosenfeld, who was brought in as -- or is being brought in  
2 as a bankruptcy accounting and consultant is, and has been  
3 for ten days or so, heavily involved in getting an  
4 understanding of how the companies are run, consulting with  
5 the CFO, consulting with the --

6 THE COURT: Who is the CFO?

7 MR. KLEINBERG: The CFO is Stella Ang (ph).

8 Your Honor, there is a company -- it's not a  
9 debtor. It's -- I don't believe it's on our chart -- called  
10 Pacific Andes Enterprises Hong Kong --

11 THE COURT: Right.

12 MR. KLEINBERG: -- which is a employee and  
13 treasury management company. It has 60 employees or so,  
14 financial professionals, financial managers. They run SAP  
15 software. This is a sophisticated company. And the  
16 operations of the non-debtors and to this point the debtors  
17 were managed and run through those services of those  
18 employees.

19 THE COURT: And what is there -- is there a  
20 contract that exists between the entities?

21 MR. KLEINBERG: Is there a contract?

22 UNIDENTIFIED SPEAKER: No.

23 MR. KLEINBERG: There's not a contract. There is  
24 a practice over many years of inter -- there's an  
25 intercompany practice and course of dealing. And we will

1 look into whether that needs to be contractually set forth  
2 and bring it to this Court as necessary for approval and  
3 certainly for a high degree of transparency.

4 So the company is run from the fish -- the workers  
5 who work on the floor of the Chinese fish processing  
6 companies, which are not debtors, but work closely with PAIH  
7 at the executive level. It's Ms. Ang, her two brothers, Joo  
8 Si Ang and Joo Thie Ang, were running the companies, if you  
9 want nuances or distinctions as to the highest officers,  
10 until approximately December or January of this year when  
11 they left under pressure from the banks.

12 Ms. Jessie stepped up. She's been with the  
13 company for 15 or 20 years, if not more, whatever accounting  
14 based on her affidavit is. And she is running the company  
15 on the day to day basis.

16 THE COURT: Okay. Is there a board?

17 MR. KLEINBERG: Each company has a board of  
18 directors. We filed a list of the board members in our  
19 exhibit. Jessie is a board member of each company. There  
20 are other directors.

21 A quick glance at our corporate resolution shows  
22 that there was -- there is a governance process. It's  
23 documented for our secretaries and attestation officials and  
24 so forth.

25 So I think I was talking about the statements that

1 the banks made. I think I've addressed them at least as to  
2 process and our intent to make this an open and transparent  
3 process. We -- as I mentioned we have high quality  
4 financial and accounting professionals on board to assist in  
5 that. We have offered the banks, I've chatted with a few of  
6 the bank attorneys as before the hearing started, a lawyers  
7 and financial professionals meeting Thursday if they can  
8 make it in order to get this process underway and to  
9 hopefully ease some of their concerns.

10 Any thought that this 11 was strategically  
11 designed to somehow shield or divert or any other nefarious  
12 purpose that you could think of the value of the Peruvian  
13 operating company entities is wrong and it's false. We  
14 recognize that that value is the base -- super baseline of  
15 the company and we're interested in a process that  
16 capitalizes that value one way or the other. It doesn't  
17 necessarily have to be a sale, but a sale is certainly an  
18 obvious and potentially viable option for that debtor.

19 What we need is for these 11s to maintain the  
20 structure, structural integrity of the corporate structure.  
21 We do need a breathing space. We need to organize the  
22 Chapter 11s. The Chapter 11s, it's obvious we haven't filed  
23 a cash management motion yet and we are working very  
24 diligently on that, but we want to get it right. And it's  
25 not easy getting it right where you have a 20 or 30 year

1 history of a non-bankrupt company used to doing intercompany  
2 accounting.

3 And we're working hard with the company's  
4 financial professionals to segregate that out and to  
5 understand it and propose meaningful cash budgets and cash  
6 flow pro formas to the creditors and to the Court so that we  
7 could see what's going on.

8 But it's clear also that these Chapter 11  
9 companies don't do a lot currently. They don't have a lot  
10 of expenses. Your Honor, we're talking about maybe around  
11 120 creditors for all 16 debtors in the aggregate, one of  
12 the reasons we decided not to spend money on a claims agent,  
13 because we think we can handle the service and noticing  
14 requirements for 120 creditors, all of whom are overseas.

15 THE COURT: Well, maybe it would be helpful. Let  
16 me ask you some questions. Okay. Can we start with the  
17 operations in Peru? Now is -- what I understand to be the  
18 case is that it's the operations in Peru that generate the  
19 revenue that then gets upstreamed; is that right? Is that  
20 where the money comes that the debtor uses to operator, or  
21 the debtors --

22 MR. KLEINBERG: No.

23 THE COURT: -- use?

24 MR. KLEINBERG: Yeah. In the past, Judge, the  
25 Peruvian entities, when they reached points of free cash

1 flow or profitability, did upstream cash to the entities  
2 above them. It's our intention as far as feasible to not  
3 make that happen. Mr. Paniaqua (ph) is here, Francisco  
4 Paniaqua is the senior executive of those Peruvian  
5 operations. Mr. Gustavo Militch (ph) is here. He is the  
6 bankruptcy attorney for the Peruvian companies in the COPI  
7 proceeding in Lima, Peru.

8 So, yes, previously they have -- we're acutely  
9 aware that lenders at that level are concerned about  
10 dissipation of value. There is no current intention to  
11 upstream. We may, as need be, propose things to the Court  
12 and to the creditors if cash permits. And you have to  
13 understand, right now the Peruvian operating companies are  
14 not in a great position. They've been -- their working  
15 capital has dried up. Their hand to mouth funding, a  
16 current fishing season which got started just last month,  
17 they hope to turn that into a lucrative season. Anchovy  
18 forecasts, I understand, are improving for this season.

19 I hope that answers Your Honor's question.

20 THE COURT: All right. Where do the debtors get  
21 their money?

22 MR. KLEINBERG: The debtors historically got their  
23 money from intercompany loans.

24 THE COURT: All right. They got it from Peru?

25 MR. KLEINBERG: Some from Peru, but more in the



1 nature of periodic upstreams of substantial buckets of cash

2 --

3 THE COURT: From --

4 MR. KLEINBERG: -- as profit at the end of the  
5 season.

6 THE COURT: Okay. From?

7 MR. KLEINBERG: From the Peruvian chain here.

8 THE COURT: Okay. So --

9 MR. KLEINBERG: But --

10 THE COURT: So Peru was profitable. Money comes  
11 up and the debtors have the cash they need to operate; is  
12 that right?

13 MR. KLEINBERG: There are other sources of --

14 THE COURT: Okay.

15 MR. KLEINBERG: -- for these debtors. First of  
16 all, you have to understand debtors, due to business reasons  
17 over here, have discontinued a substantial number of  
18 operations --

19 THE COURT: All right.

20 MR. KLEINBERG: -- over the last two or three  
21 years. So their cash needs going forward --

22 THE COURT: What do the debtors do?

23 MR. KLEINBERG: Well, let me --

24 THE COURT: I mean --

25 MR. KLEINBERG: -- go through that.

1 THE COURT: -- it would be helpful to me because  
2 there are these issues about the bank accounts not being in  
3 the U.S., the suggestion that there may be administrative  
4 insolvency. But what would be helpful, I guess, going back  
5 to the question you had asked me as far as what I needed and  
6 maybe I should have thought about it a little bit more when  
7 you asked it. Tell me what the U.S. entities do, what the  
8 source of their money is and how they're going to operate  
9 going forward --

10 MR. KLEINBERG: Okay.

11 THE COURT: -- please.

12 MR. KLEINBERG: So just to be clear the U.S.  
13 entities are not part of the --

14 THE COURT: I'm sorry. All I'm -- there are no U  
15 -- no, excuse me, I know there's one U.S. entity. I meant  
16 to say, and thank you for correcting me. I meant to say the  
17 debtors.

18 MR. KLEINBERG: Okay. So I understood the  
19 question.

20 So N.S. Hong does nothing but hold an investment  
21 interest in PAIH. PAIH, by contrast, is both a public  
22 company. It's main asset is its investment in this company,  
23 the Pacific Andes Holdings International BVI Limited which  
24 is (indiscernible).

25 THE COURT: Right.

1 MR. KLEINBERG: PAIH, the debtor, which is the  
2 Bermuda company, provides for intercompany advances. It  
3 receives interest income. It acts as a -- I have my notes  
4 here. So PAIH is a company that sources raw material and  
5 then resells the materials -- which raw material in this  
6 business is fish -- to customers around the world, including  
7 --

8 THE COURT: I'm sorry. That's PAIH?

9 MR. KLEINBERG: Yeah. That's this -- the second  
10 debtor in line.

11 THE COURT: Okay.

12 MR. KLEINBERG: Sorry. It's a trading company in  
13 fish. It sells and processes and does business with the  
14 entities to the right of it, in particular Pacific Andes  
15 International Holdings BVI and Euro Paco down here.

16 THE COURT: All right.

17 MR. KLEINBERG: So it -- so if you look at the two  
18 entities in red dots --

19 THE COURT: Right.

20 MR. KLEINBERG: -- and the one in black, these are  
21 companies that own and operate and source for large, in fact  
22 the largest in the world fish processing factories in China.  
23 They have their own debt. They're run independently.  
24 They're run in China. PAIH assists in their sourcing needs,  
25 in their cash flow needs, in their sales needs --

1 THE COURT: Okay.

2 MR. KLEINBERG: -- and so forth.

3 THE COURT: So -- but these are all non-debtors.

4 MR. KLEINBERG: Agreed. They're non-debtors.

5 THE COURT: Right.

6 MR. KLEINBERG: PHI is a debtor.

7 THE COURT: Yeah.

8 MR. KLEINBERG: And cash is sometimes available  
9 for PAIH from these companies.

10 THE COURT: And when PAIH gets the cash what does  
11 it do with it?

12 MR. KLEINBERG: It pays its operating expenses --

13 THE COURT: Okay.

14 MR. KLEINBERG: -- and it used to pay its debts.

15 THE COURT: Right.

16 MR. KLEINBERG: Clamford below it, who is not a  
17 debtor, but it's just a holding company, and PARD (sic) is  
18 part of the same four entities which we've recently  
19 mentioned.

20 THE COURT: Right.

21 MR. KLEINBERG: Those are the trading and  
22 logistics and supply company. PARD has ceased its  
23 operations due to issues that came out of the company's  
24 former business in Russian seafood procuring -- procurement.  
25 So right now PARD is basically a holding company.

1 THE COURT: All right.

2 MR. KLEINBERG: I'm going to jump down to Super  
3 Investments which is a holding company.

4 THE COURT: Right.

5 MR. KLEINBERG: China Fishery Group Limited, which  
6 is a public company, but essentially a holding company.

7 THE COURT: Right.

8 MR. KLEINBERG: Smart Group is a holding company.

9 THE COURT: Right.

10 MR. KLEINBERG: And then we dip down into the Peru  
11 side and to the left you dip down into a group of companies  
12 that used to be involved in the Pacific Andes groups' fleet  
13 fishing business in Russian waters.

14 THE COURT: All right.

15 MR. KLEINBERG: A business which has been  
16 discontinued since late 2014 or so. So these companies  
17 don't do anything except for the South Pacific which has a  
18 small business in fishing fleet vessel supply and  
19 maintenance.

20 THE COURT: So how many employees are there? How  
21 many does the debtor -- how many employees do the debtors  
22 have?

23 MR. KLEINBERG: The debtor has a very minimal  
24 number of employees. I didn't count them, but if you look  
25 at Exhibit H to the Rule 1007, you can see that China

1 Fisheries International has one, two, three, four, five  
2 operational employees.

3 THE COURT: Right.

4 MR. KLEINBERG: I should mention that -- well,  
5 Pacific Andes International Holdings has listed employees  
6 who are directors. So we listed the employees -- the  
7 directors as employees for the sake of disclosure. But --

8 THE COURT: Are you saying that the --

9 MR. KLEINBERG: But the directors are not going to  
10 be receiving compensation.

11 THE COURT: So -- and I'm sorry.

12 MR. KLEINBERG: Yeah.

13 THE COURT: Exhibit H then --

14 MR. KLEINBERG: Yeah.

15 THE COURT: -- lists all of the employees of the  
16 debtor?

17 MR. KLEINBERG: It's styled as a projected 30 day  
18 payroll.

19 THE COURT: Right.

20 MR. KLEINBERG: So I don't want to literally say  
21 that it's every single employee.

22 THE COURT: Right.

23 MR. KLEINBERG: But I believe it's nearly  
24 complete. If I could have a moment to confer maybe I could  
25 give some more precision to that.

1 THE COURT: Okay.

2 (Pause)

3 MR. KLEINBERG: So thank you, Your Honor. I am  
4 able to confirm that the employees listed on Exhibit H are  
5 the exclusive employees of the 16 debtors.

6 THE COURT: All right. So other than the  
7 directors --

8 MR. KLEINBERG: Right.

9 THE COURT: -- there are --

10 MR. KLEINBERG: Who are waiving their  
11 compensation.

12 THE COURT: -- one, two, three, four -- there are  
13 five employees.

14 MR. KLEINBERG: Correct. Correct.

15 THE COURT: And that's at China Fisheries  
16 International. Okay.

17 MR. KLEINBERG: Correct. Your Honor should know  
18 that the Pacific Andes Group across its broad spectrum has  
19 2,000 or more employees, and the Peruvian companies have an  
20 additional 2 to 2,500 or so employees.

21 THE COURT: Right. And so just as far as the big  
22 picture goes, you're saying -- I think you were well, no,  
23 maybe there will be a sale, maybe there's some  
24 reorganization. How are you going to reorganize? What's  
25 the plan for reorganizing these businesses that are dormant

1 or otherwise, you know, not operating?

2 MR. KLEINBERG: If they did not have debt on them,  
3 which in this case is senior note debt --

4 THE COURT: Right.

5 MR. KLEINBERG: -- there would have been no reason  
6 to file for them. So the --

7 THE COURT: So this is about selling the Peruvian  
8 about. That's what this case is about.

9 MR. KLEINBERG: It's not -- in our view it's not  
10 exclusively about selling the business.

11 THE COURT: All right.

12 MR. KLEINBERG: There are other reorganization  
13 options. I would like to give David Prager and Golden more  
14 than a day or two of opportunity to come up with those  
15 options. But certainly it's not surprise to anyone that a  
16 sale is a strong contender.

17 THE COURT: All right.

18 MR. KLEINBERG: Not a strong contender, Your  
19 Honor.

20 THE COURT: Tell me then what -- and thank you for  
21 the additional discussion about the debtors' operations.

22 Peruvian insolvency law, first off, what is the  
23 status -- there was an involuntary petition filed.

24 MR. KLEINBERG: I'm going to ask my partner, Mr.  
25 LoBello, who is our Chapter 15 specialist, to address that



1 if that's acceptable to Your Honor?

2 THE COURT: Of course.

3 MR. LOBELLO: Good morning, Your Honor.

4 THE COURT: Good morning.

5 MR. LOBELLO: Your Honor, if I could give you a  
6 status with respect to the Chapter 15s and the Peruvian  
7 proceedings.

8 THE COURT: All right.

9 MR. LOBELLO: You know, we recognize that this  
10 morning's calendar only the Chapter 11 cases appear, but we  
11 anticipated that you might have some questions with respect  
12 to the Peruvian companies --

13 THE COURT: All right.

14 MR. LOBELLO: -- the Chapter 15s.

15 As Mr. Kleinberg explained to the Court, the three  
16 Peruvian companies that are now debtors in Peru, which are  
17 CFG Investment SAC, (indiscernible) Inca, SAC and  
18 Sustainable Fishing Resources, SAC, are all obligors as  
19 reflected in the corporate chart.

20 As mentioned, these are particularly valuable  
21 companies. Together they hold 16.9 percent of the rights  
22 for the anchovy fishing quota. They own collectively 56  
23 vessels and they have nine processing plants.

24 The Peruvian bankruptcy and the Chapter 15s before  
25 this court is part of the global restructuring of the CF

1 Group by the debtors.

2 On June 30 Your Honor knows the Chapter 11s were  
3 commenced before this court and at the same time the Chapter  
4 15 for these three Peruvian companies were filed as well.  
5 Earlier that day on June 30 there were ordinary bankruptcy  
6 proceedings commenced before the National Institute for the  
7 Defense of Competence and Protection of Intellectual  
8 Property, otherwise known as INDECOPI. A proceeding -- an  
9 insolvency proceeding before INDECOPI is not identical to a  
10 U.S. Chapter 11. We're not suggesting that. But there are  
11 similarities.

12 THE COURT: Well, the involuntaries, as I  
13 understand it -- all right. So three creditors, these are  
14 the three creditors that the Peruvian entities reached out  
15 to because you -- I note that you indicate in the affidavit  
16 that the Peruvian entities weren't eligible to file  
17 voluntarily, right, because of the failure to, what, have  
18 accounting records or something?

19 MR. LOBELLO: They didn't have -- as I understand  
20 it, Your Honor, they did not have recent audited financials  
21 which is a requirement under Peruvian insolvency law. So  
22 they did, as we disclosed in our declarations, reach out and  
23 have a discussion with certain of their trade creditors in  
24 Peru.

25 THE COURT: All right. So the trade creditors

1 file involuntary petitions and, what, is that an involuntary  
2 for reorganization? There are two ways, right? You can  
3 either file an involuntary to liquidate or to reorganize.

4 MR. KLEINBERG: As I understand it, Your Honor,  
5 and I want to respond to your question, I don't think it's  
6 yet been determined. It could be a restructuring. It could  
7 be a liquidation under Peruvian law.

8 THE COURT: So that when the petitions got filed  
9 there wasn't a request in it to say -- if -- as -- it's not  
10 like filing an involuntary Chapter 7 petition against an  
11 entity or an involuntary 11. You're saying they filed this  
12 involuntary and they didn't ask to liquidate -- and I  
13 appreciate that there's -- and maybe you can talk about it  
14 some more. But there's an opportunity for creditors to be  
15 heard, et cetera.

16 But what is -- what's the status of what's -- of  
17 the proceeding in Peru?

18 MR. LOBELLO: So it -- and by the way Gustavo  
19 Militch, the Peruvian insolvency lawyer for the three  
20 Peruvian debtors is in the courtroom and so obviously he is  
21 more expert than I. But he spent a little bit of time with  
22 me trying to train me, so I'll answer generally and if the  
23 Court has more specifics I'll refer to Mr. Militch.

24 THE COURT: All right.

25 MR. LOBELLO: I understand that it was a -- for

1 example, maybe we should do a little bit of a timeline. So  
2 day one there's an in -- there's a filing by the particular  
3 creditors. We disclosed the names in the petition. They  
4 commence the -- what's called an ordinary proceeding in --  
5 before INDECOPI.

6 I don't believe that they choose a restructuring  
7 or a liquidation that culminates later on in the process.

8 THE COURT: Okay.

9 MR. LOBELLO: After the filing in approximately 30  
10 days INDECOPI which, Judge, is not a court to be clear. It  
11 is an administrative body. That administrative body will  
12 notify the debtor of the filing of the ordinary proceeding  
13 by the creditors. INDECOPI is comprised of five  
14 commissioners who are appointed. The commissioners select  
15 bankruptcy officials and analysts who are responsible for  
16 administration of the bankruptcy cases.

17 THE COURT: So who is operating those businesses  
18 now?

19 MR. LOBELLO: Right now, Your Honor, the -- Mr.  
20 Francisco Paniaqua, the foreign representative who is also  
21 the general manager, he has continued to operate those  
22 businesses.

23 THE COURT: All right. So they remain in  
24 possession of the business?

25 MR. LOBELLO: That's the way I would look at it as

1 an American bankruptcy lawyer. Yes, Your Honor.

2 THE COURT: Okay. And that is for the duration of  
3 the proceeding or what?

4 MR. LOBELLO: It is for the duration of the  
5 proceeding, although the creditors play a role in the  
6 insolvency proceeding. And management can, in fact, be  
7 displaced. That is part of the Peruvian bankruptcy scheme.

8 THE COURT: But is -- and that's after the 30  
9 days' notice?

10 MR. LOBELLO: Well, let me see if I can respond to  
11 the Court.

12 So day one is the filing. Day 30 INDECOPI makes  
13 its pronouncement with respect to the filing. Day 40, so  
14 ten days after that, the debtor can respond with respect to  
15 the ordinary proceeding. The way I look at it, that -- you  
16 know, the debtor can contest the involuntary. That's -- I  
17 think that's part of our nomenclature.

18 THE COURT: Right. But that's not going to happen  
19 here because the debtor invited it.

20 MR. LOBELLO: That's correct, Your Honor.

21 THE COURT: Okay.

22 MR. LOBELLO: And, again, that's laid out in our  
23 papers crystal clear. So, you know, we -- that -- and as I  
24 understand it that is not an uncommon practice in Peru  
25 bankruptcy proceedings.

1 THE COURT: All right.

2 MR. LOBELLO: There -- there then is a period of  
3 time, perhaps 60 to 90 days, in which INDECOPI will -- after  
4 which INDECOPI will issue its decision regarding whether the  
5 requirements for insolvency are met. And INDECOPI then  
6 publishes in a local paper its decision regarding whether,  
7 in fact, the requirements for insolvency have been met. And  
8 at that point in time, upon publication, a stay is imposed.

9 THE COURT: So there's no stay in place right now?

10 MR. LOBELLO: As we speak my understanding is no.

11 THE COURT: All right.

12 MR. LOBELLO: After the publication --

13 THE COURT: Excuse me. Wait. Wait just one  
14 second.

15 (Pause)

16 THE COURT: Okay. Go ahead. Sorry.

17 MR. LOBELLO: After the publication the debtor  
18 then files a schedule -- schedules of assets and liabilities  
19 for the benefit of creditors.

20 THE COURT: Is the debtor authorized to divest --  
21 sell assets during this period?

22 MR. LOBELLO: Bear with me, Your Honor.

23 THE COURT: All right.

24 MR. LOBELLO: I think I can answer that.

25 THE COURT: Okay.

1 MR. LOBELLO: During the reorganization process in  
2 Peru my understanding is, is that creditors decide whether  
3 or not existing management to the debtor can stay in place  
4 --

5 THE COURT: Right.

6 MR. LOBELLO: -- or whether it should be replaced.  
7 That is a question --

8 THE COURT: All right. And when does that happen?  
9 That would have to be after the 40th day I'm guessing.

10 MR. LOBELLO: Yeah. I don't think that begins  
11 immediately. I think it's somewhere along the process.  
12 And, Judge, I apologize. I can't be more granular. I would  
13 just be guessing.

14 THE COURT: All right. But I'm sorry. So they  
15 have a -- they have the right to be heard on that. But  
16 irrespective of that, if management said tomorrow, gee,  
17 we've got a great offer for this business. We really want  
18 to sell it. Can they do that and do they need court  
19 approval?

20 MR. LOBELLO: I know that there is creditor  
21 participation. INDECOPI is not a court. It is an  
22 administrative body.

23 THE COURT: Okay.

24 MR. LOBELLO: Its decisions are subject to review  
25 on appeal to, in fact, a court, a tribunal. I can't answer

1 the Court's question specifically about how a sale would  
2 take place. And if you would like, Your Honor, I'm more  
3 than happy to take a moment, if I might, and confer with Mr.  
4 Militch.

5 THE COURT: Well, why don't we keep going and I'm  
6 -- maybe we'll come back to that.

7 But -- so at this point we're sure that there's no  
8 stay in place in Peru and that the -- and my guess is --  
9 well, you'll find out as to what the limitations are on the  
10 right of the entities that are the subject of the  
11 involuntaries to sell assets.

12 MR. LOBELLO: Right.

13 THE COURT: Okay.

14 MR. LOBELLO: And, Your Honor, I believe the  
15 answer is going to be that it's ordinary course of business  
16 similar to the American concept.

17 THE COURT: Right. But --

18 MR. LOBELLO: But we will confer --

19 THE COURT: -- selling the business is not --

20 MR. LOBELLO: Is not ordinary course.

21 THE COURT: -- the ordinary course of a fishing  
22 business, right?

23 MR. LOBELLO: Yes.

24 THE COURT: Right.

25 MR. LOBELLO: Yes.



1 THE COURT: Okay. So can we then just agree for  
2 the purposes of what we're talking about now and subject to,  
3 you know, that they can't sell the assets at this point?

4 MR. LOBELLO: And I'm not suggesting any -- I'm  
5 just professing a little bit of ignorance with respect to  
6 Peruvian law. I am not trying to suggest that anyone has  
7 the power to sell the entire business.

8 THE COURT: All right. When we break I would like  
9 you to ask your expert here, you know, the --

10 MR. LOBELLO: Mr. Militch.

11 THE COURT: Yes, please, about that.

12 MR. LOBELLO: It would be my pleasure.

13 THE COURT: All right.

14 MR. LOBELLO: Your Honor, around the time of the  
15 publication creditors will be required to file claims. And  
16 INDECOPI reviews those claims and ultimately publishes a  
17 list of allowed claims.

18 Thereafter, there are several meetings of  
19 creditors that are held. There's a first official meeting  
20 in which seems to be informational in large part. Creditors  
21 can ask questions and gather information.

22 The second -- there's a second and third meeting.  
23 The second meeting is very important. Usually during the  
24 second meeting there is a decision by creditors whether the  
25 debtor should be reorganized or liquidated.

1 And subsequently there is a third meeting.

2 Assuming that the creditors decide that there should be a  
3 reorganization at the third meeting and thereafter the  
4 specific terms of the restructuring are hammered out.

5 Your Honor, one other thing with respect to  
6 Peruvian law and Peruvian insolvency. Creditors have raised  
7 questions in their papers why these Peruvian entities are  
8 not Chapter 11 debtors, but instead are Chapter 15 debtors.  
9 And I don't think that there's a mystery here, but maybe not  
10 everyone is aware of the facts that we are aware of.

11 First of all, as Mr. Kleinberg indicated, there  
12 are quite a few employees in Peru, 2,400, 2,500 Peruvian  
13 employees. There are trade creditors in Peru. Everybody in  
14 this room appreciates how valuable Peru is compared to some  
15 of the other operations. Obviously, Peru is very important.  
16 And the restructuring of Peru's -- of the Peruvian  
17 companies' obligations is very important.

18 And, quite frankly, after discussing Peruvian  
19 insolvency law with Mr. Militch, the debtors had concerns  
20 with respect to what a Peruvian Court and what Peruvian  
21 creditors, trade creditors who are so important to support  
22 the business, what impact on that Peruvian Court and those  
23 Peruvian creditors a U.S. court order might have.

24 Currently, the Peruvian law provides, and it's a  
25 very serious provision that keeps coming up in different

1 parts of the Peruvian insolvency law, that Peru takes the  
2 position that they have exclusive jurisdiction over  
3 insolvency issues with respect to companies that are  
4 domiciled in Peru. And these three companies that we're  
5 talking about are clearly domiciled in Peru.

6 THE COURT: All right.

7 MR. LOBELLO: So we ran the risk if we filed an 11  
8 here, we would ultimately work hard, roll up our sleeves,  
9 get some relief, hopefully reorganize, go down to Peru and  
10 we would have years of process to have Peru recognize the  
11 U.S. court order.

12 THE COURT: All right.

13 MR. LOBELLO: And it seemed to us that it made  
14 more sense to go to the home court where the employees are  
15 located, where the trade creditors are located, where the  
16 life blood of that -- of these companies are and utilize  
17 what Peru says is the exclusive jurisdiction, you know, that  
18 they have reserved for their country and then seek Chapter  
19 15 relief here to further the global reorganization efforts  
20 of the debtors and of the foreign debtors.

21 THE COURT: And so the thought then is through the  
22 Chapter 15 you would ask for recognition of that and then  
23 when you have a deal done a -- if, in fact, they reorganize  
24 you would want recognition -- you would want to enforce the  
25 Peruvian plan through the 15? is that what the thinking is?

1 MR. LOBELLO: Well, we -- obviously the Peruvian  
2 proceeding, with all due respect to this Court, is viewed as  
3 the main insolvency proceeding by the foreign debtors. We  
4 would press forward with a -- with respect to that  
5 insolvency proceeding as I think we must, and we would seek  
6 recognition of that Peruvian proceeding to supplement,  
7 augment whatever relief we're ultimately going to get in the  
8 Peruvian proceeding.

9 THE COURT: All right.

10 MR. LOBELLO: All right. So hopefully --

11 THE COURT: Is that different than what I asked?

12 MR. LOBELLO: I'm not sure --

13 THE COURT: All right.

14 MR. LOBELLO: -- Judge.

15 THE COURT: All right.

16 MR. LOBELLO: The -- did I -- I'm sorry. Did I  
17 answer your --

18 THE COURT: I guess what I'm just trying -- I just  
19 want to make sure I appreciate -- well, first off, and the  
20 other thing I would ask you to find out is how long these --  
21 between the first -- when does the first meeting take place  
22 and how much time lapses between the first and the third  
23 when you have a decision on -- from the creditors on what's  
24 going to happen?

25 And, again, what you -- what you're going to be

1 asking for is recognition so that -- in the U.S. so that  
2 whatever the solution is in Peru you would seek to enforce  
3 that or give effect to it through the 15?

4 MR. LOBELLO: Well, and certainly we would like  
5 the benefit of the stay.

6 THE COURT: Right.

7 MR. LOBELLO: I think, you know, the papers  
8 reflect that certain of the Peruvian debtors are party to an  
9 indenture.

10 THE COURT: Right.

11 MR. LOBELLO: And there's a bundle of contract  
12 rights that those Peruvian debtors have. And if there's a  
13 lawsuit presumably that would be commenced in New York.

14 THE COURT: No. No. I appreciate that's why  
15 you're asking for recognition and I'm sure we're going to  
16 hear the difference in the fact that there is no stay at  
17 least right now in Peru. But that's not in front of us  
18 right now.

19 MR. LOBELLO: Right.

20 THE COURT: All right. And so these entities are  
21 operating. Are they able to borrow money? Are they able to  
22 extend credit?

23 MR. LOBELLO: Your Honor, subject to what Mr.  
24 Militch will explain to me, I believe that they can conduct  
25 their business in the ordinary course. And similar to a

1 U.S. bankruptcy, anything outside the ordinary course is  
2 subject to, you know, creditor discussion and creditor  
3 approval.

4 THE COURT: All right.

5 MR. LOBELLO: There is creditor oversight, as I  
6 understand it, in this proceeding and a right to be heard.

7 THE COURT: All right. Why don't you talk about  
8 the bank accounts, the issues that were raised, or maybe  
9 your partner wants to do it, the issues that were raised by  
10 the parties objecting. And maybe -- and, Mr. Masumoto, I  
11 assume that you've probably looked at that as well.

12 So I'm just looking at some of these more  
13 technical issues that have arisen.

14 MR. LOBELLO: Your Honor, if I might --

15 THE COURT: Sure.

16 MR. LOBELLO: -- if I could pass the baton --

17 THE COURT: Mr. Kleinberg.

18 MR. LOBELLO: -- to Mr. Kleinberg.

19 THE COURT: Sure.

20 MR. KLEINBERG: We are hard at work and have been  
21 on a cash management motion. We acutely realize that it  
22 would have been better to file it on the first day. But we  
23 didn't and the reason for that is we need to understand the  
24 system as attorneys and fiduciaries for this Court. It's  
25 not an easy process where we're working with Asian-based

1 financial professionals who are used to doing business in a  
2 certain way. It's not an unusual experience in American  
3 Chapter 11s when this happens.

4 We expect to file that motion shortly and we  
5 expect to -- the motion will contain a proposal for the U.S.  
6 Trustee to allow the continuation of the debtors' deposits  
7 in the overseas banks because they are world recognized  
8 banking institutions. There is not going to be a ton of  
9 cash in these accounts. We are certainly willing to open --  
10 to work with the U.S. Trustee as their requirements mandate  
11 and if we need to make alternative arrangements, we will  
12 certainly accommodate them.

13 There's a certain agreement, I think it's called a  
14 depository bank agreement I think, that the U.S. Trustees  
15 sometimes use to bring foreign banks within their comfort  
16 zone and we're certainly open to working that process out.

17 THE COURT: And where are the -- and there were  
18 some concern expressed in some of the papers about the  
19 solvency, the administrative insolvency of these entities  
20 and where the money is coming from.

21 MR. KLEINBERG: Yeah. I tried to address that  
22 part before, but let me be clear.

23 First of all, it's the first day of the case and  
24 the question of administrative insolvency really should be  
25 deferred until we've had a chance to get our ducks in a row,

1 to have both of our financial professionals look at it. We  
2 don't think it is a -- it's going to be a problem. There  
3 are opportunities for the debtor to fund this case in a  
4 number of different fashions. We do need a little breathing  
5 spell -- we are a debtor. No debtor is perfect to say the  
6 least -- to explore those opportunities and to make  
7 proposals to the Court, whether it be for some sort of  
8 debtor-in-possession financing or otherwise.

9 THE COURT: All right. But you have employees.  
10 The -- leaving the directors out -- you've indicated the  
11 directors aren't going to get paid anything -- you've got  
12 five other people. Where is the money coming to pay them?

13 MR. KLEINBERG: Well, there is money in the bank.  
14 There are some levels of intercompany transfers that are  
15 made in the regular course of business, not from Peru.  
16 We're not looking to invade that asset at the moment. But  
17 there is money that flows in from over here.

18 THE COURT: Okay.

19 MR. KLEINBERG: And we recognize that we have to  
20 have crystal clear disclosure and transparency about that.  
21 It's not our intention to let these employees go unpaid.  
22 And we have other cash needs as well down here at this  
23 shipping agency. Some of it could potentially be offloaded  
24 to a crew, an agency that provides crew members for these --  
25 the ships that these -- this company services.



1           We recognize there are issues here, Judge, and  
2           we're working hard to resolve them. But we are not going to  
3           let this case go into administrative insolvency based on the  
4           needs of these employees. And they're paid as of the  
5           current date, the petition date. There is no need to do a  
6           cross-petition date motion for them.

7           THE COURT: All right. Okay. Is there anything  
8           further that you would like to add?

9           MR. KLEINBERG: Well, I guess the motions, Judge.

10          THE COURT: All right. Why don't we talk about  
11          the motions?

12          MR. KLEINBERG: We do have four motions on the  
13          calendar for today. If I may address those.

14          THE COURT: Yes, please.

15          MR. KLEINBERG: So first is our motion for joint  
16          administration. I believe it's non-controversial. There  
17          have been no objections to it. I can make an offer of proof  
18          to Your Honor basically incorporate -- reoffering the  
19          statements made in the motion and in our rule -- Jessie's  
20          Rule 1007 declaration that the 16 debtors are affiliates;

21                 That the basic court and party concerns of  
22          efficiency and convenience of administration are satisfied  
23          here. Clearly having to file documents in one case rather  
24          than 16 is efficient, avoids duplication.

25                 There are no substantive rights being implicated

1 by our motion for joint administration. It's really, as we  
2 all know, just setting up a lead debtor caption.

3 And there is no objection to that motion

4 THE COURT: Does anyone else in the court wish to  
5 be heard on the motion for joint administration filed in  
6 this case?

7 Being no response based upon my review of the  
8 motion and the evidence submitted in support of the motion I  
9 find that the debtors have established cause for the relief  
10 requested. That motion is granted.

11 MR. KLEINBERG: Thank you, Your Honor. We will  
12 upload or e-mail in an order this afternoon.

13 With respect to the second motion I would like to  
14 deal with it's the motion for a case management procedure.

15 THE COURT: Let's do that last.

16 MR. KLEINBERG: Sure. We have a motion to impose  
17 or to recognize the imposition of certain basic bankruptcy  
18 rights provided by the code that are fairly well known to at  
19 least American companies and their attorneys, but maybe less  
20 well known in Asia and Peru. And so we've made this motion  
21 to, as we styled it, to enforce the stay. It's really to  
22 reiterate the three basic provisions of the Bankruptcy Code  
23 with regard to initial debtor protections, the automatic  
24 stay under Section 362, the prohibition on defaults and  
25 enforcement activity based on the ipso facto situations

1 under 365(e) of the code, and the antidiscrimination  
2 provisions of Section 525.

3 Again, by way of offer of proof as previously  
4 stated in the motion and the Rule 1007 we have all or almost  
5 all foreign creditors. We have an issue of customers,  
6 creditors and vendors who may not be familiar, and we think  
7 we would be in a better position to protect these debtors if  
8 we had such an order from the Court which does not enhance  
9 or detract any of the statutory provisions, but is an order.

10 And there's no objections to that motion.

11 THE COURT: All right. Is there anyone else in  
12 the court today who would like to be heard on the debtors'  
13 motion for an order enforcing Sections 362, 365(e)(1) and  
14 525 of the Bankruptcy Code?

15 There being no response based upon my review of  
16 the motion and the facts submitted in support of it, I find  
17 that the debtor has established -- debtors have established  
18 cause. The motion is granted. You'll please submit an  
19 order.

20 MR. KLEINBERG: Thank you, Your Honor.

21 THE COURT: Here's what I would like to do. I  
22 would like to take just ten minutes. I would like you to  
23 please speak to your -- the -- your expert on --

24 MR. KLEINBERG: Peruvian --

25 THE COURT: -- Peruvian law to answer the

1 questions that I had. What I would also ask you to do is I  
2 want you to talk to the people here who -- for the parties  
3 who have filed objections because what we're coming up to is  
4 the question on additional time for you to file your  
5 schedules, which is being opposed, and also concerns that  
6 are being raised and a desire for me to set a scheduling  
7 order with regard to motions that they may want to bring.

8 MR. KLEINBERG: Understood.

9 THE COURT: So it's going to be very helpful to me  
10 if you can talk with them and see if there isn't a way to  
11 resolve what the objections are.

12 What I see happening here, at least in the short  
13 term, is for people to sit down and to try to get to a point  
14 where there's at least some understanding of what has  
15 transpired, that there will be the kind of transparency that  
16 people are concerned about.

17 It's not my desire that we start this case by  
18 having motions made to appoint trustees. It just doesn't  
19 make sense to me. Even if you're successful it's not going  
20 to -- in defusing that it's probably not going to make for a  
21 smooth trip through Chapter 11.

22 I'm not prejudging this or anything else. I do  
23 ask you, though, to talk to these folks and see if there's a  
24 way that we can work through some of these, even if it's  
25 just for a shorter period of time than when we get back

1 together again on it.

2 All right. So I'm going to take ten minutes and  
3 come back, and when I come back what I'll ask you to do is  
4 to just fill in that information that I asked for with  
5 regard to the Peruvian proceedings.

6 Again, what I'm concerned about -- not concerned  
7 about, but curious about is you've got a proceeding in  
8 there, right now there's no stay. There eventually will be  
9 a stay, and then there's a process for getting out of that.  
10 And what you're asking for basically is through the 15, but  
11 through these 11s as well is to try to harmonize all of  
12 that. And I just want to get a sense for what kind of a  
13 time frame we're talking about as we move forward.

14 MR. KLEINBERG: Well, we'll be happy to present  
15 Mr. Militch who is an attorney and who is quite --

16 THE COURT: All right. He can --

17 MR. KLEINBERG: -- a pleasure to speak to.

18 THE COURT: -- he can speak -- again, I just need  
19 --

20 MR. KLEINBERG: Very well.

21 THE COURT: -- I would just like to know that.

22 MR. KLEINBERG: And I'm happy to speak to the  
23 banks. Can we use the courtroom during this --

24 THE COURT: Yes.

25 MR. KLEINBERG: -- interim?

1 THE COURT: Yes. You can do that.

2 MR. KLEINBERG: Thank you.

3 THE COURT: Okay.

4 MR. KLEINBERG: Yeah.

5 THE COURT: Thank you very much.

6 (Recessed at 11:38 a.m.; resumed at 11:59 a.m.)

7 THE COURT: -- if you needed more time to discuss  
8 these issues.

9 MR. MARTIN: Your Honor, I think we might need  
10 some more time. Craig Martin on behalf of the club lender  
11 parties. We've exchanged some ideas back and forth.

12 THE COURT: Okay.

13 MR. MARTIN: And I'm negotiating with a big group  
14 of creditors here and taking --

15 THE COURT: It's not a problem. But before we  
16 break can I just get the information that I was asking for  
17 with regard to the Peruvian bankruptcy law?

18 MR. KLEINBERG: Your Honor, with our -- with  
19 permission we would ask Mr. Militch to join me at the  
20 podium.

21 THE COURT: Sure. Please come forward, Mr.  
22 Militch.

23 MR. KLEINBERG: Your Honor may recall that this  
24 gentleman did submit a declaration in support of the  
25 verified petition of the three Peruvian Chapter 15 debtors.

1 THE COURT: Yes.

2 MR. QUESADA: Good morning, Your Honor.

3 THE COURT: Good morning.

4 MR. QUESADA: My name is Gustavo Miro Quesada.

5 I've been referred so far as Mr. Militch, but that's my  
6 mother's family name so --

7 THE COURT: Oh.

8 MR. QUESADA: -- I would like to go on record as  
9 Miro Quesada.

10 THE COURT: All right.

11 MR. QUESADA: Judge, I understand some of your  
12 concerns. I don't know if you find a good idea for me to  
13 give you a quick overview.

14 THE COURT: I just -- I'm just curious. It's not  
15 a concern. I just want to make sure I understand that the  
16 -- that, one, there's no automatic stay in place until the  
17 petition is basically has been accepted.

18 MR. QUESADA: Right.

19 THE COURT: Right. And that may be 40 days down  
20 the road.

21 MR. QUESADA: Even more.

22 THE COURT: Even more?

23 MR. QUESADA: Yes.

24 THE COURT: Okay. All right. And then, second,  
25 with regard to the ability of the -- well, the management

1 for the Peruvian entities stay in possession, they continue  
2 to manage until creditors or creditors have an ability to  
3 come in and -- would they be petitioning the INDECOPI or who  
4 would they be asking about when they say we don't want them  
5 to manage anymore?

6 MR. QUESADA: Right. I know it's a -- it's kind  
7 of confusing, but back home in Peru the system is not only  
8 administrative, but it is decided directly by the creditors.

9 THE COURT: Okay.

10 MR. QUESADA: There is no authority making a  
11 decision or a trustee taking over.

12 THE COURT: Okay.

13 MR. QUESADA: The creditors will meet and they  
14 will decide on the fate of the company. They will decide on  
15 the administration.

16 THE COURT: Okay.

17 MR. QUESADA: They can confirm the existing  
18 administration or change it, and on the terms and conditions  
19 of the restructuring plan or the liquidation agreement.

20 THE COURT: All right. And their decisions on  
21 those things, they could then be reviewed by a court?

22 MR. QUESADA: Yes. Actually, any creditor can  
23 challenge any decision made by the creditors' meeting.  
24 Also, the debtor can do that.

25 THE COURT: Okay.



1 MR. QUESADA: In first instance the commission  
2 will resolve either if that challenging has any -- has  
3 sustained or not.

4 Then you can appeal it to the tribunal.

5 THE COURT: Okay.

6 MR. QUESADA: It's still an administrative  
7 proceeding within INDECOPI.

8 Nevertheless if you disagree with the decision of  
9 the second administrative instance, you can go to court.

10 THE COURT: Okay.

11 MR. QUESADA: And you will go straight to the  
12 appeal court, the Court of Appeals. Sorry.

13 THE COURT: And roughly what is the time period  
14 between the -- the first meeting of creditors would then be  
15 60 or 90 days after the filing?

16 MR. QUESADA: No. It will take way longer. In 90  
17 days we expect for the stay to be in place.

18 THE COURT: Okay.

19 MR. QUESADA: In that moment all creditors are --  
20 of the debtors are invited to file their proof of claim.

21 THE COURT: Oh, okay.

22 MR. QUESADA: Right.

23 THE COURT: Okay.

24 MR. QUESADA: And they have 30 days to do that if  
25 they want to have a voting right in the creditors' meeting.

1 Then the authority can take as long as 90 days to rule on  
2 each of the proof of claims.

3 Only after that period has ended the authority  
4 will call for the creditors meeting to meet for the first  
5 time.

6 THE COURT: Okay.

7 MR. QUESADA: Right. In that first meeting  
8 usually they don't make any decision. They just want to  
9 know who is there and --

10 THE COURT: Sure.

11 MR. QUESADA: -- who is playing the game and what  
12 is the information available. However, it could happen that  
13 in that --

14 THE COURT: Right.

15 MR. QUESADA: -- first meeting they make all  
16 decisions available. Right. So as Edward was explaining  
17 usually it takes three meetings: The first one to get  
18 information; the second to decide on the fate; and the third  
19 one to appoint administration and the terms and conditions  
20 of the restructuring plan.

21 THE COURT: And the timing of those would be  
22 dictated by the amount -- the number of creditors involved,  
23 the complexity of the issues. There's no -- the statute  
24 doesn't dictate that it has to happen within a period of --  
25 specific period of time?

1 MR. QUESADA: This is a very important point. The  
2 creditors meeting can meet as many times as they want.

3 THE COURT: Right.

4 MR. QUESADA: But our -- the Peruvian Bankruptcy  
5 Act states that the creditors meeting must make a decision  
6 on the fate of the debtor, either to restructure or  
7 liquidate, within 30 days since the first meeting.

8 THE COURT: Oh, okay.

9 MR. QUESADA: Okay. And once they have decided  
10 what is going to happen with the debtor, they have 45 days  
11 to decide on the terms and conditions that is -- that are  
12 going to apply to the fate of the debtor.

13 If they don't meet these two timelines,  
14 liquidation will be mandatory --

15 THE COURT: Okay.

16 MR. QUESADA: -- and irreversible.

17 THE COURT: Okay.

18 MR. QUESADA: So it's a good incentive for the  
19 creditors and debtor to --

20 THE COURT: Right.

21 MR. QUESADA: -- I mean, reach an agreement.

22 THE COURT: Okay.

23 MR. QUESADA: I just wanted to highlight, I think  
24 it's important for the case that the system in Peru is very  
25 inclined or pro-creditor, number one. And number two that

1 the sanctions and restrictions available for the management  
2 that is in possession until the creditors meeting take over  
3 or confirm that administration are quite severe.

4 For example, right now we are within the suspect  
5 period, and under this period all acts of the administration  
6 are presumed to be fraudulent so the burden of proof is  
7 reversed. Any creditor can challenge any of the acts of the  
8 administration --

9 THE COURT: Now going forward.

10 MR. QUESADA: Exactly.

11 THE COURT: Yeah. Okay.

12 MR. QUESADA: No. They can even challenge --

13 THE COURT: Anything that happened before.

14 MR. QUESADA: -- anything that happened in the  
15 last 12 months.

16 THE COURT: Okay.

17 MR. QUESADA: And from -- since the authority  
18 formally notifies the debtor about the initiation of the  
19 involuntary proceeding, there is a number of -- a list of  
20 things that the administration cannot do. They cannot  
21 dispose of fixed assets. They cannot do anything that is  
22 not or falls within the ordinary course of business. And  
23 even if -- or if the administration performs any of those  
24 acts which are not allowed, any creditor can challenge them.  
25 And those acts will be declared ineffective and the

1 administration faces criminal liability --

2 THE COURT: Okay.

3 MR. QUESADA: -- for those.

4 So it's quite transparent and very delicate for  
5 the administration since the proceeding is initiated either  
6 by creditors or the debtor.

7 THE COURT: Okay. All right. That was very  
8 useful. Thank you very much.

9 MR. QUESADA: Happy to help.

10 THE COURT: All right. Thank you.

11 MR. QUESADA: Thank you.

12 THE COURT: All right. So, Mr. Martin, another 15  
13 minutes do you think?

14 MR. MARTIN: I think that may be sufficient. We  
15 were getting on to some ideas right as Your Honor came back  
16 in.

17 THE COURT: All right. Good. Then -- well, why  
18 don't we just say we'll reconvene at 12:30. Okay.

19 MR. MARTIN: Thank you, Your Honor.

20 THE COURT: All right. Thank you.

21 MR. KLEINBERG: Thank you, Your Honor.

22 (Recessed at 12:07 p.m.; resumed at 12:36 p.m.)

23 THE COURT: Mr. Kleinberg.

24 MR. KLEINBERG: Thank you, Your Honor. Thank you  
25 for the time. It's been productive. We've discussed and

1 agreed upon a protocol or a schedule for dealing with the  
2 issues that were raised under the motion to extend the time  
3 to file schedules. I'll read it into the record and we will  
4 produce an order that's acceptable to Your Honor embodying  
5 these dates.

6 THE COURT: Okay.

7 MR. KLEINBERG: So the motion requested -- the  
8 motion to extend the time to file schedules and make certain  
9 waivers requested a waiver of the debtors' requirement under  
10 Rule 1007 for the debtor to file lists of its equity  
11 security holders for its public companies. So we're  
12 withdrawing the request for the waiver and we will endeavor  
13 to put those lists together and file them by July 29, 7/29.

14 THE COURT: Okay.

15 MR. KLEINBERG: Okay. With respect to schedules  
16 in SOFA themselves, we bifurcated that into two parts:  
17 Schedules in SOFA for the debtors, for four of the debtors:  
18 Protein Trading; SFG Peru Investments PTD Limited,  
19 Singapore; China Fishery Group Limited and they are called  
20 CFGL; and PAIH. Those four debtors will file their  
21 schedules and SOFA also on 7/29.

22 THE COURT: Okay.

23 MR. KLEINBERG: The remaining debtors' schedules  
24 will be due on 8/15, August 15th.

25 THE COURT: Okay.

1 MR. KLEINBERG: The corporate financial  
2 information due under Rule 2015.3 regarding substantial  
3 interests in subsidiaries has also been bifurcated. With  
4 respect to the Peruvian entities, whichever debtor is going  
5 to be the reporting entity, but it will cover the Peruvian  
6 entities from Smart Group below, that will be due on August  
7 19th, 8/19, and for all the other debtors September 2nd.

8 THE COURT: All right.

9 MR. KLEINBERG: We have committed to provide the  
10 lenders with at least a confidential draft of the cash  
11 management motion by Wednesday at noon --

12 THE COURT: This Wednesday?

13 MR. KLEINBERG: This Wednesday at noon.

14 THE COURT: Okay.

15 MR. KLEINBERG: That's our minimum standard in  
16 case we feel that it needs more work. They felt -- we  
17 wanted the opportunity to not have to file it. They wanted  
18 the opportunity to review it. So we've comprised that a  
19 confidential not admissible draft by Wednesday at noon.  
20 Obviously, if it's ready to be filed we'll do so. And  
21 that's in advance of the meeting which the lenders have  
22 agreed to attend at our invitation scheduled for Thursday in  
23 the afternoon, location to be determined.

24 THE COURT: Okay.

25 MR. KLEINBERG: And finally the lenders request

1 that Your Honor provide them the opportunity to report back  
2 to Your Honor at a conference on either Friday of this week  
3 or Monday or as Your Honor's schedule permits.

4 THE COURT: Okay. When if you file -- but you  
5 expect to file the cash management motion this week?

6 MR. KLEINBERG: I do.

7 THE COURT: Okay. And you'll be -- how much  
8 notice are you going to give on that? What is that, 14  
9 days?

10 MR. KLEINBERG: Either 14 days or the next omnibus  
11 hearing date, Your Honor's preference.

12 THE COURT: Well, we don't have an omnibus hearing  
13 schedule yet. So --

14 MR. KLEINBERG: Right. Understood.

15 THE COURT: I think we have a little leeway on  
16 this one.

17 MR. KLEINBERG: Well, that's the next motion. But  
18 I'm willing to work under either of those parameters.

19 THE COURT: Well, here's where I'm going. The  
20 reason I asked that is whether, and I direct this to Mr.  
21 Martin and his colleagues, I don't have any problem with the  
22 concept of coming back, keeping a short string on this so  
23 that if there are concerns that the banks have they can  
24 voice them. I'm just wondering whether if we had a little  
25 bit more time built into this, if we had the reporting date,



1 the date of the cash -- the hearing on the cash management,  
2 whether that would work for the lenders.

3 In other words you would -- rather than coming  
4 back next Monday, maybe it would be, you know, a couple of  
5 weeks after that. Maybe that doesn't work. I'm just trying  
6 to get a sense for where the lenders are.

7 MR. MARTIN: Your Honor, I think the important  
8 thing to appreciate is that we're essentially reaching a  
9 compromise here. We have a lot of different lenders. We've  
10 been fortunate enough to cooperate. But for many of the  
11 lenders, especially the business people and especially in  
12 Asia, it's important to appreciate that this has already  
13 been an eight month process and it includes not just the  
14 deed of undertaking that was referenced in the first day  
15 affidavit that was signed by certain of the debtors in HSBC  
16 in the Cayman Court, but there was actually a prior deed of  
17 undertaking that certain of the club lenders, the ones that  
18 we represent, signed in December of 2015.

19 Both of those deeds of undertaking required  
20 account monitoring and CROs put in place. The Chapter 11  
21 filings have resulted in termination and/or resignation of  
22 those individuals and Grant Thornton,  
23 PriceWaterhouseCooper's reputable firms in Asia that were  
24 exercising oversight.

25 And so as you can imagine the lenders are nervous

1 about time passing. And so I always hate to push back on  
2 the Court when the Court is indicating that more time might  
3 be preferable, but I think in this instance not only do I  
4 have to, but I believe that there are good grounds for it.

5 THE COURT: All right.

6 MR. MARTIN: And that's the reason that we asked  
7 for that scheduling conference.

8 Now if -- you know, we never know what the future  
9 may hold. There are ways that there might be some things  
10 achieved on Thursday, such as a consensual CRO. There are  
11 members in the lender group that have some doubts about the  
12 Peruvian insolvency and think that those entities are likely  
13 solvent, could pay off those creditors that filed the  
14 involuntary. Maybe we could have a process where we have a  
15 financial restructuring of the Peruvian entities if they end  
16 up filing in this case Chapter 11s.

17 So there are certainly some things that can be  
18 done and accomplished on Thursday that might calm down  
19 people who have been dealing with this for eight or ten  
20 months. But if not, I -- our clients are going to insist on  
21 getting us back in front of Your Honor, filing the motions  
22 that we've indicated as what we called threshold motions,  
23 and trying to get a schedule to have those heard promptly.

24 THE COURT: Okay. All right. Well, then let's do  
25 this. I can't bring you back on Friday. I've got a

1 calendar -- unless you want to come back at about 6:00

2 Friday evening. But --

3 MR. MARTIN: You're getting a no from the other

4 lenders, Your Honor. I was --

5 THE COURT: Oh.

6 MR. MARTIN: I was about --

7 (Laughter)

8 MR. MARTIN: I thought they were going to give me

9 resounding yes's. It's unanimous there.

10 THE COURT: Could we do it on instead of Monday

11 Tuesday at 2:00? Would that be alright, the 19th?

12 MR. MARTIN: Yeah. Certainly, Your Honor.

13 THE COURT: All right. So we can then have -- you

14 can build into the order a status conference at 2:00 on the

15 19th.

16 MR. MARTIN: And Your Honor mentions an order. Do

17 you think that the time frames that were laid out should be

18 set forth in a circulated scheduling -- order that deals

19 with that motion --

20 THE COURT: Yes.

21 MR. MARTIN: -- on schedules?

22 THE COURT: Yes. I think --

23 MR. MARTIN: All right.

24 THE COURT: I think -- yeah. No, absolutely.

25 That will be the resolution of the motion to extend time, et

1 cetera.

2 MR. KLEINBERG: I'll do two orders, one that will  
3 address the motion for the extension of time and I'll do a  
4 scheduling order.

5 THE COURT: Right. And you'll just -- you know,  
6 you'll just do the motion indicating that you filed it; that  
7 there was objection, parties conferred and this is the  
8 agreed resolution and I'm -- I have no problem with it.

9 MR. KLEINBERG: And I'll do a scheduling order as  
10 well for Tuesday, the 19th.

11 THE COURT: Sure. That sounds fine.

12 MR. KLEINBERG: Great.

13 THE COURT: All right. So that then leaves us  
14 with the case management order.

15 MR. KLEINBERG: Correct, Your Honor. I think it's  
16 non-controversial. There are no objections to it. It's  
17 really up to Your Honor's comfort level with the proposed  
18 case management procedures. We've tried to keep it simple  
19 and streamline it.

20 As mentioned, we're not currently anticipating  
21 hiring claims agent, so my law office will be responsible  
22 for service. And so we've tried to do a few things here. I  
23 think some of it is perfunctory, the standard for notice of  
24 motion and hearing. The idea of omnibus hearing dates is  
25 proposed, of course, subject to Your Honor's desires. And

1 --

2 THE COURT: Do you think we're going to need that?  
3 Look, there's nothing in this order that I find  
4 controversial.

5 MR. KLEINBERG: Yeah.

6 THE COURT: My biggest question was whether it was  
7 necessary.

8 MR. KLEINBERG: I don't think we need a lot of  
9 them. I think it would be helpful to have one for about 30  
10 days out for some procedural or administrative motions that  
11 may come along. But I'm also happy to notice them on an ad  
12 hoc basis and --

13 THE COURT: Look, this is what I would like to do.  
14 I would like you guys -- you're going to get together on  
15 Thursday. You're going to start talking about how this --  
16 you might be able to deal with the various -- the parties  
17 who have been objecting to some of the relief that's been  
18 requested.

19 My sense is you're going to come out of that  
20 meeting and either I'm going to find out on Tuesday that  
21 there is a basis by which the banks find that they'll stand  
22 down and they can move forward, or maybe there won't be.  
23 And if there won't be, I think I'm going to be told that  
24 there's a desire to tee up some motions.

25 So why don't we wait until we see where the case

1 is going before we start putting together these -- this type  
2 of motion?

3 MR. KLEINBERG: That's fine.

4 THE COURT: All right.

5 MR. KLEINBERG: Very well. Thank you, Your Honor.

6 THE COURT: All right. Is there anything else  
7 that we need to -- so let's adjourn this. All right. Let's  
8 just adjourn it, so that we don't lose it, to that Tuesday  
9 at -- the 19th at 2:00.

10 MR. KLEINBERG: The only aspect of the motion that  
11 I would probably press for on Tuesday is just an  
12 authorization to limit the service list to top -- I think we  
13 proposed top 50 creditors, parties in interest, governmental  
14 agencies.

15 THE COURT: Right.

16 MR. KLEINBERG: That saves us, the estate a bit of  
17 mailing costs since everything goes overseas where it's not  
18 e-mailable (sic).

19 THE COURT: Right.

20 MR. KLEINBERG: But we can focus a little bit more  
21 --

22 THE COURT: Okay.

23 MR. KLEINBERG: -- on that Tuesday.

24 THE COURT: Let's look at that on Tuesday.

25 MR. KLEINBERG: Thank you very much, Your Honor.

1 THE COURT: All right. Anything further?

2 MR. KLEINBERG: No, Your Honor.

3 THE COURT: All right. Thank you all very much.

4 (A chorus of thank you)

5 (Whereupon, these proceedings concluded at 12:48 p.m.)

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I N D E X

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C E R T I F I C A T I O N

I, Sherri L. Breach, CERT\*D-397, certified that the foregoing transcript is a true and accurate record of the proceedings.

Sherri  
Breach

Digitally signed by Sherri Breach  
DN: cn=Sherri Breach, o=Veritext,  
ou, email=digital@veritext.com,  
c=US  
Date: 2016.07.13 13:14:40 -04'00'

Sherri L. Breach

AAERT Certified Electronic Reporter & Transcriber CERT\*D-397

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Veritext Legal Solutions

330 Old Country Road

Suite 300

Mineola, NY 11501